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C O N F I D E N T I A L SECTION 01 OF 02 MANAMA 000200

SIPDIS

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SUBJECT: GOB'S RESPONSE TO PENSION FUND SCANDAL

REF: MANAMA 138

Classified By: By CDA Robert S. Ford for reasons
1.4 (b) and (d).

¶11. (C) SUMMARY. Although the GOB responded swiftly to Parliament's recommendations to rectify pension fund irregularities (see reftel), Parliamentary members still insist the GOB has not done enough and continue to call for legal action against the ministers involved. In addition, labor federation leaders condemn the GOB's actions amending pension fund laws without the federation's input. With Parliamentarians perceiving that the public will not take the National Assembly seriously unless it removes a minister from office, we expect the Parliament to question the ministers with the objective of voting at least one out of office. END SUMMARY.

CHANGES TO PENSION FUND MANAGEMENT

¶12. (U) According to press reports, at the February 8 Cabinet meeting, the Prime Minister announced major policy changes to guarantee independence of Bahrain's two pension funds to improve both their efficiency and performance. The Minister of Labor and Social Affairs and the Minister of Finance and National Economy will no longer manage the pension funds. Instead, the Prime Minister plans to appoint personally new directors-general for both funds and to reorganize the GOSI pension fund board to consist of 15 members; five representatives from the government, five from employers, and five highly experienced and qualified individuals registered with the funds. Other GOSI management changes include shortening term appointments for auditors, director-generals and board members. The Cabinet also amended the laws regulating the Public Fund Commission (PFC), separating its finances from the GOB's general budget and appointing military sector representatives, financial experts, and auditors to the PFC board.

LABOR AND PARLIAMENTARY REACTION TO GOB'S ACTIONS

¶13. (U) Council of Representatives (COR) First Deputy Chairman Abdulhadi Marhoon commented to the press that the Cabinet's actions concerning the pension funds should not obscure the Investigative Committee's primary recommendation to hold the three ministers responsible for their violations. On February 9, Investigative Committee Chairman Fareed Ghazi told the press that he viewed the Cabinet's response as a step in the right direction but concurred with MP Marhoon that it was "unsatisfactory to the public which expects a ministerial change.⁸

¶14. (U) Anticipating the labor federation's reaction to the Cabinet's actions, in a public statement COR member Abdulkabi Salman suggested on February 9, that employees representative to the GOSI board should be elected through the General Federation of Bahraini Workers (GFBW) instead of appointed by the Prime Minister. That same day, the GFBW publicly condemned the Cabinet for amending the PFC laws without its consultation, citing Article 8 of the Labor Law giving the labor federation the right to represent workers in all committee and councils concerning labor and labor issues.

¶15. (C) A Shi'a Parliamentarian told the CDA that the COR would certainly question the three ministers. There was a strong push among nearly all members to do so. He thought the Ministers would be called in when the National Assembly reconvenes in March.

¶16. (C) COMMENT. Public opinion regarding the government's response to the investigation has been a mixed bag. Some consider the GOB's response to be a genuine desire to rectify the irregularities. Others are more skeptical that officials are exchanging one set of poor managers for another that is personally appointed by the Prime Minister. In its haste, the Cabinet's actions appears to have ignored established labor laws (see para. 4), furthering the opinion that the Prime Minister is just shuffling the deck. This

scandal is the first true test of Parliament's ability to hold government accountable. Key members of the Parliament believe that the majority of Bahrainis will not take the National Assembly seriously unless they "get a minister." We expect the Parliament to question the ministers, the first constitutional step leading to a vote of no confidence. END COMMENT.

FORD